

**MEMORANDUM
BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR**

TO: The Honorable Joe A. Martinez, Chairman
and Members, Board of County Commissioners

DATE: January 23, 2006

FROM: Charles Anderson, CPA
Commission Auditor

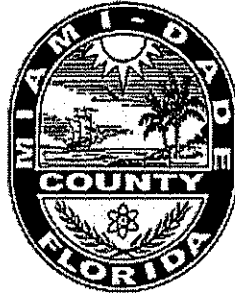
A handwritten signature in black ink, appearing to read "Charles Anderson", is written over the printed name.

SUBJECT: Nine-Month Review of the
Expedited Purchasing Program
(EPP)

We have conducted a review of the Expedited Purchasing Program (EPP) as of the conclusion of its first nine months of operation, and we submit this report, which contains observations and recommendations, and management responses. Management substantially concurred with our recommendations.

We thank the staff of the Department of Procurement Management for their cooperation and input throughout the review. Please let me know if you need further information.

Cc: Honorable Carlos Alvarez, Mayor
George Burgess, County Manager
Chris Mazzella, Inspector General
Alina Hudak, Assistant County Manager
Cathy Jackson, Director, Audit and Management Services Department
Miriam Singer, Director, Department of Procurement Management



MIAMI-DADE COUNTY BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR

**NINE-MONTH REVIEW OF THE
EXPEDITED PURCHASING PROGRAM (EPP)**
Project Number 05-13-33-06
January 23, 2006

Carolyn L. Martin
Auditor-In-Charge

Gary Collins
Senior Auditor

Charles Anderson, CPA
Commission Auditor

111 NW First Street, Suite 1030
Miami, Florida 33128
305-375-4354

TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY	1
II.	OBJECTIVE AND SCOPE.....	1
III.	BACKGROUND	1
IV.	METHODOLOGY	2
V.	SUMMARY RESULTS	3
VI.	OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSE.....	6
	A. Delegations of Authority for the EPP	6
	B. Formal Procedures/Standards	7
	C. Additional Management Comments	8

I. EXECUTIVE SUMMARY

The Nine-Month Review of the Expedited Purchasing Program (EPP) pilot project indicated that of 29 solicitations approved for processing through the EPP, eight (8) had completed the process and been awarded. Our observations indicate that an opportunity exists to reduce cycle time for EPP awards if the County Manager determined it appropriate to further delegate EPP approval authority as was authorized by Ordinance No. 05-26, and as is already done for non-EPP procurements in accordance with A.O. 3-38.

Because only eight (8) procurements had completed the EPP process as of October 31, 2005, the number was insufficient to adequately assess the effectiveness of the pilot project. Based on the limited data available for this review, we can say that cycle time for most EPP awards through October 31, 2005 was less than the average for non-EPP awards in FY2004-05. Further review, after additional awards complete the EPP process, will make it feasible to complete a more statistically reliable evaluation.

As of this Nine-Month Review, no significant compliance or program performance issues were noted.

II. OBJECTIVE AND SCOPE

This review was conducted per Miami-Dade County Ordinance No. 05-26, which established the Expedited Purchasing Program (EPP) and specified that the Commission Auditor shall review and evaluate the operation of the EPP and report the result of the evaluation to the Board of County Commissioners on a periodic basis and nine (9) months following the program's effective date.

Our objectives in this review were to:

- ◆ Verify compliance with the enabling legislation (Ordinance No. 05-26);
- ◆ Determine the impact of EPP on cycle time for procurement, from receipt of the procurement request with complete specifications in the Department of Procurement Management (DPM), to issuance of the award to the selected vendor; and
- ◆ Review any EPP procurement irregularities waived by the County Manager and any bid protests.

III. BACKGROUND

Ordinance No. 05-26 was adopted January 27, 2005 and became effective February 6, 2005. It created a 12-month pilot program (EPP) for expedited competitive purchase of supplies, materials and services, including professional services other than professional architectural, engineering and other services subject to Section 2-10.4 [of the Code] and Section 287.055 of the Florida Statutes, which are estimated to cost one million dollars (\$1,000,000) or less. It authorized the County Manager to award contracts using the advice of technical and professional staff and the County Attorney's Office and to select proposals without the use of selection

committees. Furthermore, it reduced the bid protest period to five days and provided for quarterly reports to the County Commission regarding the application of this ordinance to contract awards greater than \$100,000.

In its EPP Guidelines and Justification Form, DPM summarized EPP features as follows.

- The protest period is reduced from ten to five days.
- Methods of procurement may include but not be limited to: Invitations to Negotiate, Best and Final Offers, in addition to the more traditional Request for Proposals (RFP), Request for Qualifications (RFQ) and Invitations to Bid (ITB.)
- Criteria for determining best value may include, but not be limited to: price, quality, experience, the ability to deliver the required good and services and the nature and urgency of the County's needs.
- Technical, professional and legal staff may be used to determine best value as set forth in the solicitation documents without the need to utilize the formal Selection Committee process established by the County.
- The County Manager's or designee's written recommendation to award a contract under the EPP shall be sufficient to commence the bid protest period and terminate the Cone of Silence.
- Any legislation contrary to the provisions of the EPP shall be deemed suspended or amended as necessary to give effect to the intent of this ordinance during its effective term.
- The EPP is a pilot program that will form the basis for changes in future procurement practices in Miami-Dade County.

IV. METHODOLOGY

This review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing (2004)* promulgated by the Institute of Internal Auditors, *Government Auditing Standards (2003)* issued by the U.S. Government Accountability Office, state statutes, county ordinances and departmental policies and procedures, as appropriate. The review consisted principally of inquiries of personnel and analytical procedures applied to programmatic data. It was substantially less detailed in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements or programs taken as a whole.

A. Objective 1—Compliance with enabling legislation

To satisfy the first objective, we examined:

- The County Manager and DPM's directives to staff implementing the EPP;
- DPM's 2nd, 3rd, and 4th quarter reports on the EPP, which provided detail for each solicitation by type and number from February 2005 (Inception) through October 2005;
- DPM's EPP tracking logs for each of the 29 solicitations that had been approved for the EPP; and
- A judgment sample of DPM's EPP procurement folders to validate data reported in reports and logs.

Data from reports and logs were reviewed to verify that:

- Procurements recommended for the EPP Pilot program complied with value and approval criteria;
- Delegations of authority were in writing; and
- EPP contract awards complied with value and approval criteria in legislation (which as stated the Ordinance should not exceed one million dollars).

In satisfying Objective 1, we also observed the DPM's internal control system for the EPP, which included control points, such as a system of approvals, authorizations, segregation of duties, and supervision. We noted no exceptions to internal controls.

B. Objective 2—Impact of the EPP on cycle time for procurement, from receipt of the procurement request with complete specifications in DPM, to issuance of the award to the selected vendor

To satisfy the second objective we:

- Tabulated EPP solicitation Tracking Form data and calculated appropriate descriptive statistics;
- Using a judgment sample of DPM procurement files that specifically included files for all completed EPP procurements, verified EPP solicitation Tracking Form data;
- Compared tabulated EPP data and statistics with historical non-EPP procurement data using DPM's FY2004-05 Departmental Quarterly Performance Reports; and
- Reviewed directives and flow charts for EPP processes.

Based on the limited data available for this review, we can say that cycle time for most EPP awards through October 31, 2005 was less than the average for non-EPP awards in FY2004-05.

C. Objective 3— Review of EPP procurement irregularities waived by the County Manager and bid protests

Interviews with DPM staff indicated that, for the period reviewed, no EPP procurement irregularities had been waived, and there had been no bid protests of EPP-related awards.

V. SUMMARY RESULTS

As of October 31, 2005, a total of twenty-nine (29) solicitations were recommended and approved by the County Manager for processing through the EPP.

- Eight (8) contracts had been awarded (6 in FY2004-05; 2 in FY2005-06);
- Three (3) solicitations were cancelled by the user departments;
- Seven (7) solicitations had been recommended to award and were pending management approval;
- Seven (7) solicitations were in the negotiations or review phase; and
- Four (4) solicitations were in the solicitation phase (two had been re-submitted due to scope revisions.)

DPM Departmental Quarterly Performance Reports for FY2004-05, and EPP tracking data through October 2005, indicate DPM achieved the following cycle time for solicitations valued up to \$1 million. [Measured from the date the requisition and scope of work are finalized to the date of contract award.]

Summary Table—Average Cycle Time (Calendar Days)

	FY04-05 1 st Qtr	FY04-05 2 nd Qtr	FY04-05 3 rd Qtr	FY04-05 4 th Qtr	FY04-05	Target	FY05-06 (Oct. only)
Non-EPP RFPs Valued under \$1 million	207	158	140	192	174	150	
EPP RFPs Valued under \$1 million			127 (1 RFP)	148 (4 RFPs)	144 (5 RFPs)		
Non-EPP ITBs Valued under \$1 million	168	128	135	83	129	142	
EPP ITBs Valued under \$1 million			61 (1 ITB)		61 (1 ITB)		127 (2 ITBs)

A. Awarded EPP Contracts

Below is a summary table of the results of processing time observed for the eight (8) awarded EPP contracts:

AWARDED EPP CONTRACTS (Includes all EPP awards: RFPs/RFQs/ITBs)								
	CONTRACT VALUE	No. of Days Tracked (From Approved Scope to DPM Director Approval)	No. of Days Tracked (From Approved Scope to CM Approval)	No. of Days Tracked (From CM Approval to Advertisement)	No. of Days Tracked (From Advertising to Bid Closing)	No. of Days Tracked (From Bid Closing to Recommendation)	No. of Days Tracked (From Recommendation to Award Date)	No. of Days Tracked (From Approved Scope to Award) "Cycle Time"
AVERAGE (Note 1)	\$536,682	30	33	(11) (Note 1)	26	57	24	129
MEDIAN	\$541,841	(7) (Note 1)	(6) (Note 1)	13	29	77	32	134
MINIMUM (Note 1)	\$133,681	(111) (Note 1)	(111) (Note 1)	(87) (Note 1)	8	0	7	41
MAXIMUM	\$950,000	98	100	113	50	154	57	226
STANDARD DEVIATION	\$308,168	65	65	60	16	49	15	65

Note 1: Numbers in parentheses in this table reflect instances where the County Manager approved use of the EPP process before completion of the development of the approved scope and/or the solicitation was readvertised at a later date.

Cycle time for EPP awarded contracts averaged 129 days per RFP/RFQ/ITB with a median of 134 days, a minimum of 41 days and a maximum of 226 days.

Cycle time for two EPP RFQs (each to obtain a pool of vendors) exceeded 150 days, which is DPM's target for completion of RFPs/RFQs per their 4th Quarter FY2004-05 Quarterly Departmental Performance Report.

1. RFQ 77-Management Advisory Consulting Services Pool's cycle time was 226 days, including: 83 days from approved scope to County Manager's Approval; 32 days from Advertising date to Bid Closing; 89 days from Bid Closing to Recommendation to Award date; and 57 days from Recommendation to Award date to Award Date.
2. RFQ 78-Marketing Research Services Pool's cycle time was 213 days, including: 69 days from approved scope to County Manager's Approval; 30 days from Advertising date to Bid Closing; 154 days from Bid Closing to Recommendation to Award; and 21 days from Recommendation to Award to Award.

B. EPP Solicitations In Progress (as of October 31, 2005)

The following is a summary table of processing time to date for the twenty-one (21) EPP solicitations that remained in progress as of October 31, 2005.

EPP CONTRACTS IN PROGRESS								
	CONTRACT VALUE	No. of Days Tracked (From Approved Scope to DPM Director Approval)	No. of Days Tracked (From Approved Scope to CM Approval)	No. of Days Tracked (From CM Approval to Advertisement)	No. of Days Tracked (From Advertising to Bid Closing)	No. of Days Tracked (From Bid Closing to Recommendation)	No. of Days Tracked (From Recommendation to Award Date)	No. of Days Tracked (From Approved Scope to Award)
AVERAGES	\$431,982	17	25	14	29	41	-	-
MEDIAN	\$509,582	34	45	49	45	41	-	-
MINIMUM	\$ 44,164	(99) (Note 1)	(78) (Note 1)	(15) (Note 1)	14	34	-	-
MAXIMUM	\$975,000	167	168	113	75	48	-	-
STANDARD DEVIATION	\$332,678	58	54	28	17	10	-	-

Note 1: Numbers in parentheses in this table reflect instances where the County Manager approved use of the EPP process before completion of the development of the approved scope and/or the solicitation was readvertised at a later date.

The twenty-one solicitations in progress averaged 25 days from Approved Scope to County Manager's Approval; 14 days tracked from County Manager's Approval to Advertisement Date; and 29 days from Advertisement Date to Bid Closing. At the time of this review, only two of those solicitations have been tracked from Bid Closing to Recommendation to Award status and have tolled an average of 41 days.

VI. OBSERVATIONS AND RECOMMENDATIONS

A. Delegations of Authority for the EPP

Ordinance No. 05-26, which established the EPP, authorized wider latitude in the delegation of EPP procurement than had been exercised by the County Manager (CM). [Note: Delegation is authorized by the ordinance, not required.]

For example, comparing traditional procurements and EPP procurements up to \$500,000:

- Traditional Procurements: Pursuant to Master Procurement Administrative Order 3-38, the Manager's designee (the DPM Director) has authority to approve awards of up to \$500,000. (Note: CM Memorandum of 7/15/05, in its text, says delegation is "under \$500,000" but later lists it as "\$0 to \$500,000.")
- EPP Procurements:
 - Pursuant to Ordinance No. 05-26, approval authority can be delegated at the County Manager's discretion for EPP procurements with an estimated cost of up to \$500,000.
 - Pursuant to the County Manager's Memorandum of 7/15/05, authority for approval to process and award EPP procurements up to \$500,000 was delegated only to the Assistant County Manager who oversees the Department of Procurement Management.

The effects of differences of the delegated approval authority include pros and cons. Most importantly:

- Pro—Internal control was improved for the EPP by the increased oversight; but
- Con—Procurement cycle time for EPP procurements was increased.

It was noted that all twenty nine EPP solicitations included the authorizations of both the ACM and the County Manager. Yet, there were eighteen (18) solicitations with contract values in the range \$0-\$500,000 which, under normal procurement procedures, would have only required the Department of Procurement Director's approval.

Recommendation

We recommend that DPM and the County Manager consider delegation of EPP approval authority to mirror traditional procurement procedures.

Management Response

Department of Procurement Management:

This recommendation is under consideration.

B. Formal Procedures/Standards

Documented policies and procedures provide important internal controls that aid in quality assurance and protect the County's interests. DPM and/or the County Manager had established several documents to guide and serve as internal controls for the EPP process:

- Justification Form—Used as a check list to aid determination of whether solicitations are eligible for EPP processing. A Procurement Authority Matrix was attached to simplify determination of who had authority to approve the various categories of procurements;
- EPP Implementation Framework Flowchart--Illustrated critical steps for EPP process management;
- EPP Tracking Form—Collected mutually agreed upon data on EPP solicitations for the Office of the Commission Auditor;
- County Manager's Clarification of Delegated Authority Memorandum, dated July 15, 2005—Delegated EPP procurement approval authority to Assistant County Manager Hudak for procurements up to \$500,000. Authority for approval of processing and award of procurements over \$500,000 was retained by the County Manager.
- DPM and County Manager's document tracking logs—Tracked key documents (including EPP documents) that were sent/received to/from other offices for processing.

We observed minor variations in EPP procurement file maintenance and in the dates provided for EPP Tracking Forms. These variations seemed typical of the normal learning curve that organizations can expect when implementing a new program. We noted that some agents have tailored existing forms in ways that might represent best practices that could be considered for generalized adoption.

Documented procedures and standardized record keeping facilitate continuity of operations in cases of employee absences or vacancies and protect the County's interests.

Recommendation

If the EPP program is continued, we recommend that DPM further develop and document internal procedures and performance measures for EPP workflow management, analysis and record keeping.

Management Response

Department of Procurement Management:

The Department of Procurement Management concurs with this recommendation. Steps have already been taken to update internal tracking checklists and procedures as part of the Department's business improvement initiatives. This will also ensure accurate, consistent and complete implementation of the Program.

C. Additional Management Comments

Department of Procurement Management:

Implementation of the EPP required that staff develop and implement quality control and administrative procedures for approving and processing solicitations, and recording and reporting program information to the Board of County Commissioners (Board) and the Commission Auditor. Staff training regarding the modified process was also required. During the first nine months of the Program (February through October 2005), a total of 29 solicitations were processed through the EPP.

The EPP has the potential to be a successful procurement tool to augment numerous other efforts to reform and streamline procurement functions and reduce procurement cycle times. The Program offers increased flexibility and allows us to reduce unnecessary bureaucracy, while preserving the openness and integrity of the process. Additional operating experience is needed to further refine the program, and to revise and adjust administrative procedures to achieve additional procurement cycle time reductions. Therefore, a proposal to extend the Program for an additional twelve months has been recommended to the Board. Approval of the twelve month extension will allow the County to better determine the Program's effectiveness in meeting its procurement reform objectives.